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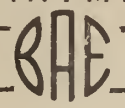
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Demand and Price

FOR RELEASE
JUNE 11, A. M.

SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON D. C. 

MAY 1949

Approved by The Outlook and Situation Board May 27, 1949

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SUMMARY

The demand for farm products remains relatively high although at a lower level than in 1948. In recent months, the general level of prices received by farmers has been fairly stable at about 10 percent below last year's average. Nevertheless, declining trends in industrial output and employment which are reducing the flow of income to consumers indicate that some further weakening in the domestic demand for food and other farm products is likely.

Industrial production declined in April for the fifth consecutive month, falling 3 percent from March, while nonfarm employment was down 300,000 from March and 900,000 from April a year earlier. Preliminary reports indicate further declines in May. Industrial commodity prices at wholesale continued to weaken in May, particularly textiles, metals and building materials. The BLS index of all commodities in late May averaged 8 percent below the peak reached last summer.

Exports of farm products during the first quarter of 1949 remained high and their value reached an annual rate of 4.1 billion dollars, the highest since the first half of 1947. Most of the recent rise has been due to increased exports of cotton and linters. Exports of grains in the first quarter continued close to the high levels of 1948.

ECONOMIC TRENDS AFFECTING AGRICULTURE

Item	Unit or base period	1948		1949			
		Year	Apr.	Jan.	Feb.	Mar.	Apr.
Industrial production <u>1/</u>	1935-39:						
Total.....	= 100	192	188	191	189	184	179
All manufactures.....	do.	198	195	198	196	193	184
Durable goods.....	do.	225	217	227	226	223	213
Nondurable goods.....	do.	177	177	175	173	168	161
Minerals.....	do.	155	147	149	148	136	146
Construction activity <u>1/</u>	1935-39:						
Contracts, total.....	= 100	331	315	303	294	305	
Contracts, residential.....	do.	397	377	326	301	316	
Wholesale prices <u>2/</u>							
All commodities.....	1926=100	165	163	161	158	158	157
All commodities except farm and food.....	do.	151	149	153	152	151	149
Farm products.....	do.	188	187	172	168	171	170
Food.....	do.	179	177	166	162	163	163
Prices received and paid by farmers <u>3/</u>	1910-14:						
Prices received, all products.....	= 100	287	291	268	258	261	260
Prices paid, interest and taxes.....	do.	249	249	248	245	246	246
Parity ratio.....	do.	115	117	108	105	106	106
Consumers' price <u>5/</u> <u>6/</u>	1935-39:						
Total.....	= 100	171	169	171	169	170	170
Food.....	do.	210	208	205	200	202	203
Nonfood.....	do.	149	148	152	152	151	151
Income							
Nonagricultural payments <u>4/</u>	Bil. dol:	190.4	185.3	195.4	194.1	192.6	
Income of industrial workers <u>3/</u>	1935-39:						
	= 100	364	341	362	354	347	
Factory payrolls <u>5/</u>	do.	389	369	386	381	372	
Weekly earnings of factory workers <u>5/</u> :							
All manufacturing.....	Dollars:	53.14	51.71	54.51	54.12	53.63	52.62
Durable goods.....	do.	56.76	54.87	58.69	58.17	57.37	56.75
Nondurable goods.....	do.	49.33	48.26	50.04	49.88	49.72	48.33
Employment							
Total civilian <u>7/</u>	Millions:	59.4	58.3	57.4	57.2	57.6	57.8
Nonagricultural <u>7/</u>	do.	51.4	50.9	50.7	50.2	50.3	50.0
Agricultural <u>7/</u>	do.	8.0	7.4	6.8	7.0	7.4	7.8
Government finance (Fed.)							
Income, cash operating.....	Mil. dol:	3,748	2,402	3,683	3,893	5,555	
Outgo, cash operating.....	do.	3,075	2,397	2,834	3,252	3,845	
Net cash operating income or outgo.:	do.	767	4	849	641	1,710	

Annual data for the years 1929-48 appear on page 29 of the March 1949 issue of the Demand and Price Situation.

Sources: 1/ Federal Reserve Board, converted to 1935-39 base. 2/ U. S. Dept. of Labor, BLS. 3/ U. S. Dept. of Agriculture, BAE, to convert prices received and prices paid interest and taxes, to the 1935-39 base, multiply by .93110 and .78125 respectively.

4/ U. S. Dept. of Commerce revised figures employing new concepts, seasonally adjusted at annual rate. 5/ U. S. Dept. of Labor, BLS. 6/ Consumers' price index for moderate-income families in large cities. 7/ U. S. Dept. of Commerce, Bureau of the Census.

8/ U. S. Dept. of Treasury. Data for 1948 are on average monthly basis.

Commodity Highlights

Prices of hogs and better grades of cattle may weaken before beginning a seasonal advance in the summer. Utilization of milk as fluid milk and cream may average a little smaller this year than last. Egg prices are expected to trend upward until fall. Feed prices during the next few months will be influenced considerably by prospects for 1949 feed crops. However, government loans on the 1949 crops and the large volume of grain under loan from the 1948 crops will tend to stabilize prices. Cash wheat prices are expected to reach a low point in July or August and then advance. Prices of deciduous fruits this summer are expected to be close to the levels of last summer if the new crop turns out as large as now, seems likely. Prices for the reduced supplies of citrus fruits this summer probably will be above those of the summer of 1948. Prices received for fresh market supplies of truck crops in July will be moderately lower than those a year earlier. Prices received for 1949-crop potatoes in July are expected to decline seasonally. Domestic use of cigarette tobacco--flue-cured, Burley, Maryland-- is expected to continue high. The domestic price situation for sugar continues firm.

OUTPUT AND EMPLOYMENT

Overall industrial output in April declined for the fifth consecutive month. Reflecting reductions in output in most durable and nondurable goods industries, the Federal Reserve Board's index of total production, seasonally adjusted, dropped to 179 (1935-39=100), off 3 percent from March, 5 percent from April a year earlier and 8 percent from the postwar peak of October 1948.

Durable goods output continued downward in April as activity in virtually all groups slackened. The index of durable goods production in April was 213, 4 percent below March, 2 percent below a year earlier and 8 percent below the postwar peak. Declines in the various groups from March to April ranged from 1 to 6 percent. Steel output which reached a peak in March declined 6 percent in April. Output of automobiles and parts, however, rose 1 percent above March and 5 percent above April a year earlier.

With activity slackening in most groups of nonagricultural industries, nondurable goods production in April also declined. The index of nondurable goods output fell to 161, 4 percent below March, 9 percent below April a year earlier, and 11 percent below the postwar peak of February 1948.

Output of minerals increased 7 percent above April and reflected the resumption of coal mining operations following the work stoppage in the bituminous coal industry. Coal production was up 55 percent from the low level of March. Crude petroleum production, however, continued to decline, and in April was 4 percent below March.

Preliminary indications for May are that overall output continued downward, reflecting reduced rates of steel production and lower output of automobiles.

Slackening demands for most industrial and consumers goods are indicated by data shown in Table 1. With the exception of the manufactured food group, rates of output in all industries in April were off from their postwar peaks. Declines ranged from 1 percent in output of the automotive group to 31 percent in anthracite coal output.

In some industries, peak levels of production were achieved early in the postwar period. Output of leather goods, rubber goods, and anthracite coal reached a peak in 1946. Since then, substantial adjustments in output have been made to bring supplies more in line with reduced demand. Production of anthracite coal in April was off 31 percent from its peak; output of rubber products was off 29 percent; and production of leather goods, 16 percent.

Demands for the output of other groups resulted in more sustained high level output. As a result, output in those industries continued to expand and peak rates of production were reached at a later date. In early 1947, peak rates of output were achieved in bituminous coal, stone, clay and glass products, and nonferrous metals and products. In April, output of bituminous coal was 17 percent below the postwar peak; production of stone, clay and glass products was down 13 percent, and output of nonferrous metals and products, 15 percent.

Production of most other industries reached a peak in late 1947 or 1948. Iron and steel output, however, continued to expand until early 1949. Reductions in output in these groups have varied. Production of textiles and products in April, for example, was 28 percent below the peak reached in January 1948. Output of lumber and products was down 19 percent from its peak, machinery down 17 percent and crude petroleum down 12 percent. More moderate declines occurred in petroleum and coal products, and chemical products. Output of iron and steel, after reaching a peak in March, declined 6 percent in April. The automobile industry continued near postwar record rates in April.

Although increasing slightly from March, total civilian employment in early April as reported by the U. S. Department of Commerce, was below a year ago for the first time in 1949. Civilian employment in April totaled 57.8 million persons, 200,000 more than in March, but 500,000 fewer than in April a year earlier. The increase in total employment from March to April was due entirely to a seasonal rise in farm employment. Nonfarm employment in early April at 50.0 million persons was down 300,000 from March and 900,000 from April a year ago. The number of full-time workers (35 hours or more per week) in nonagricultural industries in April was about the same as in March but 1.4 millions less than a year earlier. Reflecting the declines in both employment and full-time employment in non-farm industries, the total of man-hours worked was down 2 percent from April 1948.

The number of persons unemployed in early April was 200,000 smaller than in March, reflecting the increase in total employment and a civilian labor force of about the same size as in March. At 3.0 million persons, however, unemployment in April was 800,000 greater than in April a year earlier.

Table 1.-- Industrial production, U. S. total and by groups, percentage change April 1949 from selected periods

Item	April : 1949	March : 1949	April : 1948	Postwar peak	Percent change
	April : 1949	March : 1949	April : 1948	Level : Date first achieved : 1949 : 1948 : peak	April 1949 from
(Seasonal adjusted indexes 1935-39=100)					
Industrial production, total	179	184	188	195	Oct. 1948
Durable manufactures	213	223	217	231	Oct. 1948
Iron and steel	219	233	177	233	Mar. 1949
Machinery	238	252	275	288	Dec. 1947
Transportation equipment	238	240	237	248	Dec. 1948
Automobiles (including parts)	206	204	197	209	Oct. 1948
Nonferrous metals and products	177	183	200	208	Feb. 1947
Lumber and products	125	129	145	155	Jan. 1948
Stone, clay and glass products	191	195	211	219	Jan. 1947
Nondurable manufactures	161	168	177	180	Feb. 1948
Textiles and products	128	142	175	179	Jan. 1948
Leather products 1/		113	115	134	Mar. 1946
Manufactured food products	163	163	157	163	June 1948
Paper and products	145	150	168	172	Oct. 1948
Printing and publishing	150	152	154	164	Oct. 1948
Petroleum and coal products	210	214	213	230	Dec. 1948
Chemical products	235	246	249	259	Aug. 1948
Rubber products	176	181	200	248	Dec. 1946
Minerals	146	136	147	162	May 1948
Bituminous coal	144	93	102	173	Jan. 1947
Anthracite coal	88	52	105	128	July 1946
Crude petroleum	156	163	171	177	Nov. 1948
</					

11/ March, 1949, latest available data, percent changes indicated are from March 1948 to March 1949 and from postwar peak to March 1949.

2/ Less than one-half percent increase.

Source: Federal Reserve Board.

INCOME AND RELATED FACTORS

Total personal income dropped for the third straight month in March. The adjusted annual rate of 214.3 billion dollars was 2.0 billions less than in February, 6.7 billions below the peak of last December, but 3.6 billions above March a year ago. A further decline in salary and wage receipts and a drop in income of proprietors of unincorporated businesses accounted for the decline in total income from February to March. Partly offsetting these declines was an increase of 1.0 billion dollars in transfer payments, most of which represented larger unemployment insurance benefits.

Total salary and wage receipts, reflecting lay-offs and general shortening of the work week in manufacturing industries and the work stoppages in the bituminous coal industry, declines for the fourth consecutive month. The annual rate of salary and wage income in March dropped to 132.4 billion dollars, 2.3 billions below February, but 5.8 billions greater than April a year earlier.

For the first quarter of 1949, total personal income was at an annual rate of 216.7 billion dollars, compared with 207.0 billions in the first quarter of 1948 and 219.6 billions in the fourth quarter of last year.

Dollar sales at department stores during the four weeks ended May 14 were 4 percent below those of the comparable period in 1948. For the period January 1, through May 14, sales were 3 percent below the same period last year.

Total retail sales in April, after adjustment for seasonal factors, were up slightly from March. The index of total retail sales, seasonally adjusted was 332 (1935-39=100) in April, compared with 329 in March and 338 in April a year earlier. Compared with March, increased sales of automobiles and equipment offset declines in sales of stores handling building materials and hardware and of food stores. Retail sales in stores of the automotive group in April were 4 percent above March and 18 percent above a year earlier. The increase over a year ago in automobile sales contrasted with declines during the same period of 14 percent in sales of building materials and hardware, 11 percent in sales of housefurnishings, 3 percent in sales of apparel, and 7 percent in sales of general merchandise.

COMMODITY PRICES

The wholesale all-commodity price level as measured by the BLS weekly index, declined during April, but increased slightly in May. Wholesale prices of nonagricultural commodities showed further weakness during May, with substantial declines in textiles, metals, and building materials. In late May prices of farm products and foods averaged somewhat higher than in late April offsetting the decline in industrial product prices. Except for metals and metal products, prices of all groups were below those of a year earlier, with prices of farm products, foods and textile products registering the sharpest declines. Prices of all nonagricultural commodities averaged almost 2 percent below those of a year ago.

Table 2. - Group indexes of wholesale prices, week ended May 24, 1949
with comparisons
(1926=100)

Group	Week ended May 24, 1949	Week ended Apr. 26, 1949	Week ended May 25, 1948	Week ended May 24, 1949 percentage change from	
				Week ended April 26, 1949	Week ended May 25, 1948
All commodities	156.5	156.1	164.5	+ .3	-4.9
Farm products	174.5	169.4	192.6	+3.0	-9.4
Foods	165.6	162.9	177.7	+1.7	-6.8
All other than farm and food	146.2	147.9	149.0	-1.1	-1.9
Textile products	136.1	139.3	149.1	-2.3	-8.7
Fuel and lighting materials	130.6	131.5	132.7	- .7	-1.6
Metals and products	167.5	170.5	157.2	-1.8	+6.6
Building materials	193.4	196.5	197.1	-1.6	-1.9
All other	129.3	129.8	135.6	- .4	-4.6

After rising slightly in March, the BLS monthly index of wholesale prices of all commodities declined in April, falling to 156.9 (1926=100), 1 percent below March and 4 percent below a year earlier. Prices of farm products in April were slightly below March, while food prices were about the same. Prices of commodities other than farm and food averaged 1.3 percent lower than in March, accounting for most of the drop in overall prices between March and April.

Average prices received by farmers in mid-May were 2 percent lower than in the previous month. The BAE index of prices received by farmers declined to 256 (1910-14=100) on May 15, 11 percent below May a year earlier and 17 percent below the peak in January 1948. Average prices of all crops combined were down 1 percent from mid-April. Prices of truck crops, declining seasonally, were off sharply from the previous month. This decline together with lower prices for oil bearing crops more than offset higher prices for fruit. Prices received for food grains were virtually unchanged from the previous month. Prices received by farmers for each of the major groups of livestock and livestock products averaged 2 percent lower in mid-May than a month earlier, largely reflecting seasonal increases in marketings.

Table 3.- Group indexes of prices received by farmers May 15, 1949 with comparisons (August 1909-July 1914=100)

Group	May 15, 1949				
	May 15, 1949	April 15, 1949	May 15, 1948	percentage change from	
	1949	1949	1948	April 15, 1949	May 15, 1948
Food grains	227	227	261	0	-13
Feed grains and hay	174	178	282	- 2	-38
Cotton	242	241	284	1/	-15
Tobacco	411	410	370	1/	+11
Oil-bearing crops	231	238	357	- 3	-35
Fruit	215	207	141	+ 4	+52
Truck crops	213	236	262	-10	-19
All crops	234	236	267	- 1	-12
Meat animals	328	333	361	- 2	- 9
Dairy products	234	240	291	- 2	-20
Poultry and eggs	217	221	211	- 2	+ 3
Livestock and products	277	282	309	- 2	-10
Crops and livestock and products	256	260	289	- 2	-11

1/ Less than one-half percent increase.

Compared with a year earlier, prices received by farmers averaged 11 percent lower with prices of all crops 12 percent lower and those of livestock and products off 10 percent. Prices of feed grains, oil-bearing crops, truck crops and dairy products were off sharply from May 1948. Fruit, tobacco, and poultry and eggs were the only groups of commodities for which farmers received prices higher than those of a year earlier.

Average prices paid by farmers in mid-May were fractionally lower than in the previous month. The BAE index of prices paid, interest and taxes dropped 1 point to 245 in mid-May, 5 points below a year earlier. In May slightly lower prices paid for feed, clothing, housefurnishings and building materials more than offset a further slight rise in food costs. The greater decline in prices received by farmers from mid-April relative to the decline in prices paid, interest and taxes brought the parity ratio down to 104, 2 points below mid-April and 12 points below a year ago.

Prices paid by urban consumers in April were slightly higher than in March. The BLS urban consumers' price index in April was 169.7 (1935-39=100), compared with 169.5 in March and 166.9 in April 1948. A slight rise in food prices and a continued rise in rents were almost offset by declines in prices of clothing, housefurnishings and fuel.

GROSS NATIONAL PRODUCT

The market value of all goods and services produced during the first quarter of 1949 registered the sharpest drop of the postwar period, declining to an annual rate of 255.9 billion dollars, 9 billions below the rate of the fourth quarter of 1948, but 11 billions above the rate of the first quarter of last year. Declining prices accounted for a major part of the decline, but somewhat lower output was also a factor.

Table 4.- Gross national product or expenditure, U. S. fourth quarter 1948 and first quarter, 1949

(Billions of dollars)		
Component	1948	1949
	Fourth quarter	First quarter
<u>Gross national product</u>	<u>264.9</u>	<u>255.9</u>
<u>Personal consumption expenditure</u>	<u>181.0</u>	<u>176.6</u>
Durable goods	22.9	21.5
Nondurable goods	105.1	101.4
Services	53.0	53.7
<u>Gross private domestic investment</u>	<u>42.8</u>	<u>37.7</u>
New construction	14.7	13.5
Producers' durable equipment	22.7	22.0
Change in business inventories	5.3	2.2
<u>Net foreign investment 1/</u>	<u>- .4</u>	<u>+ 1.5</u>
<u>Government purchases of goods and services</u>	<u>41.5</u>	<u>40.1</u>
Federal	25.2	23.5
State and local	16.3	16.7

1/ Value of net exports of goods and services financed by means other than Government grants and private remittances.

U. S. Department of Commerce.

Although consumer incomes were maintained near the previous quarter's level, partly as a result of unemployment compensation payments, expenditures on consumption goods were off rather sharply. Total consumer expenditures in the first quarter of this year dropped to an annual rate of 176.6 billion dollars, 4.4 billions below the fourth quarter of 1948. During the same period disposable personal income declined only 1.6 billion dollars. Reflecting the greater decline in spending relative to incomes the annual rate of saving rose 2.8 billions to 21.2 billion dollars during the first quarter of 1949.

Investment expenditures from the fourth quarter of 1948 to the first quarter of 1949 dropped 5.1 billion dollars, to an annual rate of 37.7 billions. This reflected a slight falling off in expenditures on plant and equipment, a slower rate of inventory accumulation, and a drop

in outlays for residential construction. The slower rate of inventory accumulation compared with the fourth quarter of 1948 accounted for more than half of the decline in total gross domestic investment. Expenditures on residential housing were off moderately during the same period, declining 1.2 billion dollars. This reflected the drop in the number of new non-farm dwelling units started.

Increased foreign aid outlays by the Federal Government and continued expansion in state and local government spending resulted in a rise of 0.5 billion dollars in total government expenditures on goods and services and net foreign investment combined. These expenditures totaled 41.6 billion dollars in the first quarter of 1949 compared with 41.1 billions in the preceding quarter.

AGRICULTURAL EXPORTS

In the first quarter of 1949, the value of agricultural exports was 1,013 million dollars, 8 percent above the preceding quarter, and about 18 percent above the first quarter in 1948. Most of the recent rise in agricultural exports was due to increased exports of cotton and linters.

Exports of cotton and linters amounted to 1,548 thousand running bales in the first quarter of this year compared with 1,231 thousand in the preceding quarter and 734 in the first quarter last year.

Grain and grain products, mostly wheat and flour, accounted for 43 percent of the value of all agricultural exports in the first quarter of this year, about the same as in the preceding quarter. In the first quarter last year they accounted for 50 percent. Exports of wheat and of flour from domestic wheat totaled about 121 million bushels in the first quarter of 1949 compared to 117 million in the preceding quarter and 116 million bushels in the first quarter of 1948.

In the first quarter of 1949 about 46 million bushels of corn, including meal, were exported, more than in any other first quarter since 1922. This compares with only 2.5 million bushels in the first quarter of 1948 and 19 million in the last quarter of that year. Total exports of corn, including meal, in 1949 are expected to be at least as large as the 123 million bushels exported in 1947, and will be much larger than the small export of only 26 million bushels in 1948.

The value of unmanufactured tobacco exported during the first quarter of 1949 was 33 percent higher and the tonnage was 40 percent higher than in the same period a year ago. Increases in tobacco exports to Germany more than made up for the sharp decreases in exports to the United Kingdom and China.

Table 5.- Value of exports of United States agricultural products
in specified periods 1/

(Million dollars)						
Period	Cotton including linters	Tobacco unmanu- factured <u>2/</u>	Grain and prepa- rations	Other foods	Total foods <u>3/</u>	Grand total <u>4/</u>
	(1)	(2)	(3)	(4)	(5)	(6)
<u>1935-39</u> Annual average	318	128	95	178	273	748
<u>1947</u>						
1st. quarter	169	93	439	335	774	1,071
2nd. quarter	137	53	511	312	823	1,038
3rd. quarter	37	52	499	305	804	919
4th. quarter	84	73	417	283	700	882
Total 1947	427	271	1,866	1,236	3,102	3,911
<u>1948</u>						
1st. quarter	122	40	416	234	650	855
2nd. quarter	98	41	399	210	609	784
3rd. quarter	80	77	489	171	660	839
4th. quarter	210	56	401	224	625	941
Total 1948	511	215	1,705	839	2,544	3,420
<u>1949</u>						
1st. quarter	252	53	431	202	633	1,013

1/ In postwar period includes all exports whether financed by government funds or by commercial means.

2/ Includes trimmings, scrap, and stems.

3/ Defined as the sum of Agricultural Crude Foodstuffs (Economic Class 2) plus Agricultural Manufactured Foodstuffs (Economic Class 4.)

4/ This is the sum of columns 1, 2, and 5 plus small values of agricultural non-foods not shown separately.

FARM INCOME

Farmers received about 1.9 billion dollars from the sale of farm products in May, 5 percent above April but 7 percent less than in May 1948. Prices farmers received for both livestock and crops averaged slightly lower than in April, and substantially below last May.

Cash receipts from livestock and products in May were around 1.2 billion dollars, about the same as in April, but nearly 15 percent below a year ago. Reduced cattle marketings were largely responsible for a small decline from April in receipts from meat animals. The greater decrease from May 1948 was due to lower prices. Milk production in May was up seasonally and receipts from dairy products were above April, but lower prices brought them down below a year ago. While combined receipts from poultry and eggs probably were about the same as in April, they were a little above last May as average prices were higher.

Crop receipts in May were around 0.7 billion dollars, 15 percent above April and 10 percent more than last May. The gain in crop receipts from April to May was greater than usual and was due mostly to substantial quantities of grain and smaller quantities of oil-bearing crops and vegetables that were delivered to the Commodity Credit Corporation by growers under the terms of the Purchase Agreement programs. Participants in these programs could either sell on the market at any time or deliver their crops to the Commodity Credit Corporation at the support price within a month or so after the expiration of the loan program--which was April 30 for most crops. Since the market price of many of the crops has been close to the support level during most of the crop year, large quantities of some crops are now being delivered to the Commodity Credit Corporation. May receipts from food grains and oil-bearing crops were increased considerably by these deliveries.

During the first 5 months of 1949, farmers received about 9.8 billion dollars from marketings, 5 percent less than they received in the same period last year. Receipts from livestock and products were about 6.1 billion dollars, 10 percent less than last year. This decline was due chiefly to lower prices. While receipts from meat animals and dairy products were below last year, receipts from poultry and eggs were a little higher.

Crop receipts for the 5-month period were around 3.7 billion dollars, a little above a year ago. Crop prices on the whole were lower than last year. Larger marketings of corn and cotton, however, more than offset lower prices, and cash receipts from these crops were higher. Receipts from fruits were up because of substantially higher prices; but truck-crop prices were down rather sharply, and cash receipts from vegetables were lower.

LIVESTOCK AND MEAT

Changes in prices of meat animals and meat this spring have not been extreme. During April and May, weekly average prices of each grade of slaughter steers at Chicago fluctuated within a range of less than \$1.00. Prices of butcher hogs at that market dropped about \$2.00 to an average of \$17.72 per 100 pounds the week ended April 30, and then regained more than half the decline during May. Federally inspected slaughter of cattle and hogs increased moderately in late April. Slaughter of hogs decreased somewhat in May. Cattle slaughter has included a high percentage of steers, the weights of which have been the second highest in 10 years of record.

If demand for meat remains unchanged, prices of hogs and of better grades of cattle may weaken before beginning a seasonal advance in the summer.

About 1/2 pound less meat was consumed per person in the January-March quarter this year than in the same quarter of 1948. Retail meat prices averaged 1 percent lower than a year earlier. Since disposable personal incomes averaged somewhat higher in the first 3 months of this year than of last, the retail value of meat consumed was lower in relation to incomes than in the first quarter of 1948 - and considerably lower than in the summer of last year, when prices generally rose to all-time records. The retail value of meat relative to incomes in the first quarter of 1949 was about equal to the 1935-39 relationship, but higher than the relationship just before the war.

DAIRY PRODUCTS

Sales of milk by farmers will be larger in 1949 than in 1948. Prices received for milk and butterfat, however, are running substantially lower. As a result, cash receipts from marketings of dairy products in 1949 probably will be a little less than 4 billion dollars compared with the record of 4.4 billions in 1948. Prices of feed are lower this year than last and wage rates may be down slightly. Nevertheless, for the country as a whole, total net returns from dairying may be lower than last year.

The more than seasonal decline in retail prices of fluid milk since last fall slightly exceeds the decline in consumer incomes. Consumption of fluid milk, at prices about the same as a year earlier, has been fairly stable and little different from the early months of 1948. Prices of fluid milk may not decline much more during the remainder of the flush season. If there is a further slide-off in consumer incomes, per capita consumption of fluid milk and cream may average a little smaller this year than last, but will remain moderately above the prewar level.

Production of milk on farms in the first 4 months of 1949 was 3.5 percent greater than in the same period a year earlier because of a very high output per cow. The number of cows has continued to decline. Barring unfavorable pasture conditions, total milk output will continue about at the annual rate of the first 4 months and for 1949 will be around 117.5 billion pounds compared with 115.5 billions in 1948. To maintain prices at support levels, it probably will be necessary for the Government to continue purchasing largest quantities of dairy products. Prices of butter and nonfat solids were at support levels in mid-May. The changed pattern of domestic utilization along with export outlets for manufactured dairy products has created a broader market for whole milk sales by farmers. In 1948, sales of whole milk accounted for 78 percent of the milk and cream sold by farmers at wholesale compared with 56 percent in 1935-39 and 47 percent in the early 1920's. For 1949 this rate will be little different from 1948. This shift has helped increase farmers' cash returns from dairying.

POULTRY AND EGGS

The springtime low of egg prices was reached in March this year. Egg prices will now move up seasonally until fall. The price increase from now until fall will be not more than the usual seasonal rise. Compared with last year the smaller quantity of stored shell eggs which will be available in the fall will probably be offset by the output from the enlarged laying flock.

The level of egg futures prices reflects the expectation of a small seasonal rise in egg prices. During the week of May 9-13, October egg futures (#2 Refrigerator Extras) closed from 49.75 to 50.60 cents per dozen in Chicago, while fresh Extras (70 percent A's) averaged close to 48 cents per dozen. This spread does not encourage storage. In the comparable week last year, when the general level of fresh egg prices was about 3 cents lower, October futures closed at 51.70 to 52.15 cents and expired in October 1948 under 49 cents.

Although the low level of egg stocks stored in the shell probably will not result in smaller consumption than last year, the considerably smaller stocks of frozen eggs may encourage winter production of liquid eggs. The May 1 commercial stocks of frozen eggs, at 66 percent of May 1, 1948, will not be built up to normal levels in the time remaining before the usual August 1 peak of frozen egg holdings. As a result, frozen egg prices in the late months of 1949 are likely to be high relative to shell egg prices.

Poultry prices broke sharply in late April, beginning in the week after Easter. In mid-May the U. S. average price to producers for chicken was 28.2 cents per pound, a decline of 2.8 cents per pound from mid-April 1949. In specialized broiler areas, the drop for the same period was even greater; the prices for comparable birds fell 3.5 cents per pound in the Del-Mar-Va Peninsula, and about the same in North Georgia. At the same time fowl prices in metropolitan markets also fell sharply.

Despite the price drop, chick placements in specialized broiler areas have not been sharply cut; in the week ending May 21 they totaled 6,722 thousand against 7,083 thousand in the first full week of April. As a result of these price drops, the U. S. average farm price for May 1949 was 0.3 cents per pound lower than last year, whereas the April 1949 price was 3 cents higher than the year before.

FATS, OILS, AND OILSEEDS

Wholesale prices of fats and oils in May averaged about 0.5 cent per pound higher than in April. The index of wholesale prices of 26 major fats and oils (excluding butter) was about 175 (1935-39=100), compared with 168 in April and 293 in May 1948. The largest increases were in tung oil and coconut oil. Lard, crude cottonseed oil, tallow and greases increased slightly. Prices of butter and linseed oil remained near price support levels.

Exports of fats, oils, and oil equivalent of oilseeds, including shipments to United States Territories, in January-March 1949 totaled 516 million pounds, 76 percent greater than the 294 million pounds exported in the same period a year earlier. This was at a higher annual rate than in any previous year, including 1944, the wartime peak. Exports of inedible tallow and grease totaled 81 million pounds compared with only 8 million pounds in January-March 1948. Exports of lard in the first quarter were about 146 million pounds compared with 110 million pounds in the same period in 1948. Exports of soybean oil and soybeans in terms of oil, 101 million pounds in January-March 1949, were 115 percent greater than the 47 million pounds exported a year earlier. Exports of soybeans from October 1, 1948, the beginning of the present crop year, to March 31, 1949 totaled 10.8 million bushels, nearly equal to the record total for the 1939-40 crop year.

Imports in January-March 1949 totaled 266 million pounds, 33 percent less than a year earlier. This was principally due to a decline in copra imports from 206 million pounds (in terms of oil) in the first quarter of 1948 to 86 million pounds for the same period in 1949.

Production of creamery butter in April and early May continued about 20 percent above a year earlier. Production of federally inspected lard in April was 137 million pounds, 27 percent more than last year. Production in the first part of May continued well above last year.

Factory and warehouse stocks of fats and oils on March 31, 1949 totaled 1,973 million pounds, 485 million pounds more than a year earlier and the most for the date since 1944. However, these stocks declined about 45 million pounds during March this year. Last year, stocks increased 31 million pounds during March.

CORN AND OTHER FEED

Feed prices during the next few months will be influenced to a considerable extent by prospects for 1949 feed crops, although Government loans on the 1949 crops and the large volume of grain under loan from the 1948 crops will have a price-stabilizing effect. In recent months, corn prices have continued 20 to 30 cents per bushel below the loan rate and prices of other feed grains have been near or below the 1948 loans. If weather continues favorable this summer and fall, feed grain prices probably will continue near or below the 1949 supports. Prices of animal protein feeds continued relatively high through May, but wheat millfeed prices declined.

Total sales of corn by farmers from the 1948 crop, including unredeemed loans and purchase agreement deliveries, are estimated to be 1,051 million bushels, the largest on record and more than double the small sales from the 1947 crop. Sales of barley also are estimated to be the largest on record, while sales of oats and sorghum grains are much above average.

Terminal market receipts of corn, which were unusually large during October-December, dropped off sharply early in 1949, and in recent months have been below average. Stocks of corn at terminal markets declined from 50.3 million bushels on January 1 to about 15 million bushels by the end of April. During 1943-47 terminal stocks averaged about 21 million bushels on both January 1 and April 30.

Planting and early growth of feed grains have made satisfactory progress this spring in nearly all sections of the country. On May 1 the condition of pastures was generally better than a year ago, and was better than average. A hay crop of about 101 million tons was indicated on May 1, and present indications are that the hay supply per animal unit for 1949-50 will be near record.

WHEAT

Cash wheat prices are expected to reach a low point in July or August and then advance. This has been substantially the seasonal pattern in the years of large production in which loans have been available.

Interim 1949-crop wheat loan and purchase agreement rates in specified counties in 11 States, and at three terminal markets handling early-harvested wheat, have been authorized. Interim rates of \$2.16 per bushel for U. S. grade No. 1 wheat have been established at Kansas City and Los Angeles and \$2.26 at Galveston. Final rates for the 1949 crops will be announced in July. Last year, the final rates were \$2.24 at Kansas City, \$2.29 at Los Angeles and \$2.32 at Galveston.

A winter wheat crop of 1,021 million bushels was estimated as of May 1--only about 2 million bushels more than estimated in April. Production of spring wheat will not be officially indicated until June 10. If yields per seeded acre should equal the 1938-47 average on the prospective spring acreage about 290 million bushels would be produced. This would give a total wheat production of about 1,310 million bushels, second only to the 1,367 million produced in 1947. With a domestic use of about 675 million bushels, a crop of this size would provide about 635 million bushels for export in 1949-50 and for addition to the carry-over July 1, 1950.

Total disappearance of wheat for the year ended June 30, 1949 is still expected to be about 1,175 million bushels. Of this total about 500 million is exports.

Exports including wheat, wheat flour and macaroni products, July 1948-April 1949 totaled the equivalent of about 426 million bushels, which compares with 407 million bushels a year earlier. With total supplies of 1,484 million bushels, consisting of July 1 stocks of 196 million and production of 1,288 million bushels, the carry-over July 1, 1949 is indicated at 300-325 million bushels. A large part of this carry-over will be owned by CCC as the result of heavy deliveries and purchases under the loan and purchase agreement programs.

Wheat crop prospects in Europe continue below a year ago. In Canada moisture conditions are still poor, but rains in May improved prospects. Soil conditions in Australia and Argentina favor seeding the crop to be harvested in December. In Argentina little change from the small acreage of the past 2 years is expected.

FRUIT

With the total supply of fruits in June smaller than a year earlier, grower prices are expected to continue considerably above prices last June. But as market supplies of the 1949 deciduous crop gain volume in summer, prices probably will decline to levels no higher than those of last summer, especially if the new crop turns out as large as now seems likely.

Prices for the reduced supplies of citrus fruits probably will continue substantially above prices last summer. During summer, practically all fresh oranges, grapefruit, and lemons will come as usual from California. Supplies of the 1948-49 California citrus crop, remaining after May 1, were smaller than supplies a year earlier by at least one-fifth for Valencia oranges, one-fifth for summer grapefruit, and two-fifths for lemons. Supplies of processed citrus fruits and juices will continue large, with retail prices higher than last summer.

The prospective late spring crop of strawberries, which will be marketed mostly in June, is 14 percent smaller than the 1948 crop. Most of this reduction is in Washington and Oregon, where a large part of the crop usually is frozen. But with cold-storage holdings of frozen strawberries on May 1, 1949, more than twice those of a year earlier, demand for processing is expected to be reduced below a year ago. Under these conditions, grower prices for strawberries in June probably will be near June 1948 prices. So far this season, prices have followed the course of a year earlier, taking a sharp seasonal drop in May, because of large seasonal marketings.

Supplies of peaches during June and July will come mostly from the 10 early Southern States, of which production this year is expected to be about the same as the short 1948 crop--only two-thirds of the 1945-47 production level. Grower prices probably will be nearly as high as last year. Among other early season 1949-crop deciduous fruits, prices for cherries and plums probably will be a little lower than comparable prices in 1948, while prices for apricots probably will be about the same.

COMMERCIAL TRUCK CROPS

For Fresh Market

Because total supplies of truck crops available for the fresh market this June and July are estimated to be as large as a year earlier and consumer demand is slightly weaker, prices farmers will receive probably will average moderately lower than in June and July of 1948. Production this year compared with last differs widely among crops. Moderately to considerably larger production this year is estimated for asparagus, snap beans, beets, cabbage, Honey Ball melons, lettuce, and watermelons. Considerably smaller crops have been produced this spring however, in the case of green lima beans, cauliflower, eggplant, dry onions, green peas, green peppers, and shallots. Aggregate commercial production for the spring fresh market is estimated to be one percent larger than a year earlier and 17 percent larger than average.

Commercial acreages of cabbage, onions, and watermelons for harvest this summer are expected to be slightly to moderately larger than last summer.

For Processing

In general, commercial processors appear to be planning operations in 1949 on a scale as large as in 1948. Their early reports have indicated their intentions to plant or contract for planting substantially larger acreages of lima beans, green beans, beets and pimientos this year than last and a slightly larger acreage of cucumbers for pickles. Production of spinach for processing in the two most important States (Texas and California) is much larger than last year and slightly above average. On the other hand, reductions in acreage in the country as a whole are intended for tomatoes, green peas, sweet corn, and cabbage under contract for kraut.

In most past years, commercial processors have expanded their acreages by offering higher contract prices to growers. Although there are some indications of some weakening in prices offered growers producing crops for processing, in general these prices probably will average not much lower than those of last year. Of the major processed vegetables, current stocks seem high only for canned sweet corn, tomato catsup and chili sauce, and frozen green lima beans.

POTATOES AND SWEETPOTATOES

Weekly rail and boat shipments of new crop potatoes have exceeded those of old potatoes since early May. Prices received by farmers for 1949-crop potatoes in June and July are expected to decline seasonally.

Production of early commercial potatoes for late spring harvest which includes the early California crop is estimated at 39.6 million bushels this year, in comparison with 44.8 last year and 31.4 million bushels for the 1938-47 average. Early commercial acreage for summer harvest is estimated to be considerably lower than last year. March intentions of farmers likewise indicated a substantial drop in total potato acreage compared with that planted last year. Therefore, purchases for price support through the summer are not expected to be as large as last year.

Sweetpotato acreage is expected to be even smaller than the unusually low acreage of 1948. Prices to farmers, therefore, are expected to remain high. Very few sweetpotatoes will be available in northern markets until the new crop begins moving in considerable volume in late summer and early fall.

COTTON

Spot cotton prices in the first half of May were steady at levels only slightly below the season's high reached in late April. Prices for Middling 15/16" in the ten spot markets ranged from 32.86 to 33.07 cents per pound compared with the season high on April 25 of 33.37 cents. Grade and staple premiums narrowed slightly in April while discounts have remained about unchanged. The heavy demand for exports and the relatively tight supply of "free" cotton have been important factors in maintaining the high level of cotton prices.

Slightly more than half of all domestic stocks of cotton are estimated to have been under CCC loan on May 1. Net loan stocks were about 4,370,000 bales, while all stocks were about 8,000,000 bales. Stocks of cotton under loan to CCC may comprise more than half of the expected carry-over on August 1 of about 5.6 million bales.

Domestic consumption for April was 597,000 bales bringing the season total to 6,162,000 bales. It appears unlikely the full season total will exceed 8.0 million bales. Exports however, continue at over twice the level of last season and heavier than since before the war. They probably will reach 4.3 million bales for the full season. If domestic consumption and exports should total 12.3 million bales, as expected, the carry-over at the end of the season would be increased about 85 percent over the 3,080,000 bales on hand at the end of last season.

TOBACCO

The demand for Maryland, type 32, tobacco during the first 3 weeks of auction sales of the 1948 crop was very strong. The active bidding for the tobacco offered resulted in an average of about 52 cents per pound for close to 13 million pounds sold in May compared with 43 cents per pound for sales of about 7 million pounds in May 1948. The Government loan level for the 1948 crop is 43.9 cents per pound. Most of type 32 is used domestically in the manufacture of cigarettes.

Domestic use of cigarette tobacco--flue-cured, Burley, Maryland-- is expected to continue high. The July 1948-June 1949 output of cigarettes may total between 380 and 385 billion compared with 379 1/2 billion in 1947-48. The increase in the domestic consumption of cigarettes will more than offset the decrease in cigarette exports.

The consumption of cigars during the 1949 fiscal year is estimated at between 5,600 million and 5,675 million compared with 5,688 million in 1947-48. Prices received for 1948 crop cigar tobacco were lower than those a year earlier except for Connecticut Valley Broadleaf, type 51. The general average of this latter type was lower in 1947 than in 1948 because of the pole-sweat damage to the 1947 crop.

The output of smoking and chewing tobacco during the 1949 fiscal year will be lower than a year previous, but snuff output and consumption is expected to be about the same.

Present parity prices for tobacco are below those which determined price supports for the 1948 marketing season. The declines in parity prices reflect the easing of the index of prices paid by farmers from last June, the month which determined the level of flue-cured price support; and also from last September, which determined the level of price support for all other types. A fairly strong demand is expected for the 1949 flue-cured crop, and average auction prices are expected to be generally above the loan level.

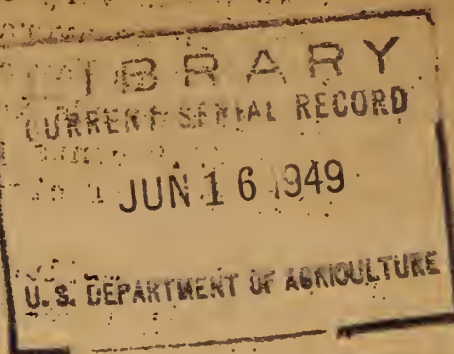
United States exports of unmanufactured tobacco during the first quarter of 1949 were two-fifths larger than those of the first quarter of 1948. United States exports of tobacco for 1949 seem likely to be around 450 million pounds compared with 427 million pounds in 1948. ECA assistance towards the economic recovery of western European countries is an important factor in the export of United States tobacco.

SUGAR

As the harvesting season nears completion in the principal offshore areas, latest available estimates indicate that the 1949 sugar production in Cuba will be 15 percent below 1948, while production in Puerto Rico will be up 15 percent. The United States Embassy at Havana estimates the 1949 Cuban crop will produce 5,680 thousand tons of raw sugar. Puerto Rican production has been reported at 1,274 thousand tons.

OFFICIAL BUSINESS

BAE-DPS-6/49-5000
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The domestic price situation continues firm. In early May the raw sugar price, duty paid New York, reached 5.85 cents, the highest since early January 1948. For most of the month of May the prevailing gross wholesale refined price, New York, was 8 cents. This compares with the price of 7.75 cents in May 1948.

Of great importance to the world sugar supply and price situation is the completion of the recent agreement for the simultaneous purchase of 400 thousand tons (long) by the CCC and 350 thousand tons by Britain from Cuba. Of the 750 thousand tons, 250 thousand were bought outright at 4 cents per pound, and the remainder will be priced according to the average monthly spot price of Cuban free world sugar as reported by the New York Coffee and Sugar Exchange, for the months of July to November 1949, but not to exceed 4 cents per pound. The Cuban Government also agreed to release an additional 250 thousand tons to their free world market quota. The agreement will have the effect of increasing the available world supply of sugar, and stabilizing the world price.

The production of sugar from the 1948 continental cane and beet crop is now estimated at 1,846 thousand tons, 1,369 thousand tons from beets, and 477 thousand tons from cane. This was 16.5 percent less than the 1938-47 average. The production of beet sugar was 25 percent below that of 1947, and 9 percent below the 10-year average; while the production of cane sugar was 27 percent higher than 1947, and 4 percent higher than the 10-year average.

The 1948-49 season average price received by farmers is now estimated to be \$12.90 per ton for sugar beets, and \$7.09 per ton for sugarcane. These prices compare with 1947-48 season average prices of \$14.34 and \$8.53.

The latest estimates of the production of maple products for 1949 are 341 thousand pounds of maple sugar and 1,611 thousand gallons of maple sirup. These outputs were larger than those of the unfavorable 1948 season, but smaller than average.

